

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Community Affairs Committee

BILL: SB 356

INTRODUCER: Senator Justice

SUBJECT: Local Government Officers and Employees

DATE: January 28, 2009      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Molloy	Yeatman	CA	<b>Pre-meeting</b>
2.			GO	
3.			GA	
4.			WPSC	
5.				
6.				

**I. Summary:**

This bill removes the population limitation on counties, municipalities, and district school boards eligible to apply to participate in the state group health insurance plan and the prescription drug coverage program so that all counties, municipalities, and district school boards may apply. Special taxing districts are also authorized to apply for participation in the state group health insurance plan and the prescription drug coverage program.

This bill substantially amends s. 110.1228, F.S.

**II. Present Situation:**

**State Group Health Insurance Plan**

Section 110.123, F.S., provides opportunities for state employees to receive health insurance and prescription drug coverage through enrollment in a self-insured, preferred provider organization (PPO) or a health maintenance organization (HMO). Participation is voluntary and employees may change plans during the annual open enrollment period. The state provides a uniform premium contribution for both plan types but charges do vary between management and non-management positions. Also, a jointly employed spousal benefit frees both members from premium costs. As of January 1, 2009, 69,538 state employees were enrolled in the PPO, 72,063 were enrolled in the HMO plan, and another 229,387 persons in established positions, retirees, and dependents received coverage under both plans.<sup>1</sup>

<sup>1</sup> Employee statistics provided by the Division of State Group Insurance at the Department of Management Services.

The State Employees' PPO plan is administered by BlueCross Blue Shield of Florida, Inc. which is responsible for processing all claims, providing access to a preferred provider network, and managing customer service and case management. The plan has a per person lifetime benefit, has annual out-of-pocket limits per individual and per family for both the standard and investor PPO plans, has a pre-existing condition exclusion, and carries a prescription drug benefit administered by Caremark RX, Inc.

Each HMO is a self-administered, prepaid health plan that provides services to people who work and live within the HMO service area. Employees living in an area without a participating HMO can only choose the PPO plan.<sup>2</sup> The five following HMOs provide insurance to state employees: AvMed, Capital Health Plan, Florida Health Care Plan, VISTA, and UnitedHealthCare. Under an HMO, there is no maximum lifetime benefit, there is a per individual and per family out-of-pocket limit for both the standard and investor plans, no pre-existing exclusions or waiting periods apply, and there is a prescription drug benefit.

### **Group Insurance for local government units**

Section 112.08, F.S., authorizes every local government unit to pay for a variety of insurance expenses, including health insurance, for the officers and employees of the local government unit. Purchases must be competitively bid and procured on the basis of the bids. As an alternative, a local government unit may self-insure, subject to approval of actuarial soundness by the Office of Insurance Regulation.

In 1999, representatives of small cities in Florida mailed 400 letters to cities with a population of less than 20,000. Twenty-eight cities expressed interest in joining the state health insurance plan with twenty-six cities passing resolutions of support. That same year, the Small School District Consortium surveyed their membership (population of 75,000 or less). Some eighty-five percent of the respondents indicate support for plan participation.<sup>3</sup>

### **Section 110.1228, F.S. – Participation by small counties, small municipalities, and district school boards located in small counties.**

In 2001, the Legislature enacted chapter 2001-285, Laws of Florida, authorizing counties with a population of 100,000 or fewer, cities with a population of 12,500 or fewer, and district school boards located in small counties or receiving a sparsity supplement under the Florida Education Finance Program (FEFP) to apply for participation in the state group insurance program and the prescription drug coverage program. Applicants are required to submit a \$500 non-refundable application fee to the Department of Management Services to determine eligibility for participation.

If eligible to participate, the applicant must agree to a minimum enrollment or contractual period of 3 years, must pay an initial administrative fee of at least \$2.61 per enrollee<sup>4</sup>, submit written

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<sup>2</sup> Glades, Gulf, Hardee, Holmes, Jackson, Monroe, Sumter, and Washington counties only offer the State Employees' PPO plan.

<sup>3</sup> See "Senate Staff Analysis and Economic Impact Statement", CS/SB 1172, prepared by the staff of the Governmental Oversight and Productivity Committee of the Florida Senate, dated April 2, 2001.

<sup>4</sup> See s. 110.1228(5)(b), F.S.

notice of termination of participation not later than 1 year prior to the termination date, and agree to reimburse the state for 100 percent of its costs, including administrative costs. Eligible participants must adopt the state's eligibility rules, may not participate in the state's pretax cafeteria plan, and must pay monthly premiums in an amount sufficient to cover claim costs, third-party administrative costs, and the department's administrative costs. In addition, participants must provide for adequate cash reserves and cash flow by contributing a total of three months of premiums and costs in advance of the coverage date. To date, no applications for participation have been submitted by a small county, small city, or district school board.

### **Special Districts – chapter 189, F.S.**

Section 189.401(1), F.S., provides that a special district “is a local unit of special purpose, as opposed to general-purpose, government, within a limited boundary, created by general law, special act, local ordinance, or by rule of the Governor and Cabinet. The purposes of special districts are implemented by specialized functions and related prescribed powers.” Special districts are either dependent or independent districts.

A dependent special district is usually established through enactment of a county or municipal ordinance which must provide for the powers of the district. An example of a dependent special district is a municipal service taxing unit (MSTU). An independent special district is generally created by the Legislature through enactment of a general bill or a special act which must also provide for the purposes and powers of the district. There are exceptions: community development districts may be created by the Governor and the Cabinet, or a county or municipality.<sup>5</sup> Regional water supply authorities may be created by the Governor and the Cabinet, and two or more counties or municipalities.<sup>6</sup> Also, counties may create children's services districts,<sup>7</sup> and health and mental health care districts.<sup>8</sup> All special districts with taxing powers are commonly referred to as “special taxing districts,” a term that is used but undefined in statute.

Any district that is a multi-county district is an independent special district. Florida has 1,626 special districts: 1,012 independent districts, 614 dependent districts, and 69 multi-county districts. Special districts include the five water management districts, community development districts, community redevelopment districts, drainage and water control districts, housing authorities, fire control and rescue, and soil and water conservation districts.<sup>9</sup>

### **III. Effect of Proposed Changes:**

**Section 1.** Amends s. 110.1228, F.S., to allow the governing body of any county, municipality, special taxing district, or school board to apply for participation in the state group health insurance program and the prescription drug coverage program. Each governing body electing to participate must submit a \$500 nonrefundable application fee to the Department of Management Services.

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<sup>5</sup> Chapter 190, F.S.

<sup>6</sup> See s. 373.1962, F.S.

<sup>7</sup> See s. 125.901, F.S.

<sup>8</sup> See s. 154.331, F.S.

<sup>9</sup> “Official List of Special Districts Online”, [www.floridaspecialdistricts.org](http://www.floridaspecialdistricts.org) (Department of Community Affairs)

**Section 2.** Provides that if enacted, the bill will take effect October 1, 2009.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Indeterminate at this time. However, existing local health care providers could experience membership erosion and the associated loss of local provider access in the area which could result in the provider exiting the community in its entirety. Also, if a local government does decide to terminate participation, there may be no successor provider in the community.

Supplemental insurance carriers may experience a reduction in membership because the provisions of the state group plan, including the pre-tax benefit programs that permit reimbursement for out-of-pocket expenses, may eliminate the need for supplemental health insurance.

C. Government Sector Impact:

The impact to local governments is indeterminate at this time, but it is likely that costs will be incurred relating to the solicitation of bid proposals such as advertising and public notice expenses, and attorney fees relating to document preparation and review for local governments with contract legal counsel. The relative benefit and impact to local government units and their employees will be determined by each group opting to participate in the state plan, and will be based on existing plan benefits and costs as compared to the benefits and costs of the state group plan.

In 2001, the Division of State Group Insurance estimated a fiscal impact of \$314,000 to the division for additional staff salaries and benefits, technology services, and open enrollment and communication costs. To cover this cost, at least 10,000 local government

employees would have had to enroll in the state group health insurance plan to cover the minimum administrative expenses. At that time, the per enrollee administrative cost was \$2.61. When the Legislature considered similar legislation in the 2008 Regular Session, the division estimated the per enrollee cost to be \$3.33 and the minimum amount necessary to cover administrative expenses was estimated at \$400,000. The table below reports the state plan premiums beginning June 2008:

**Health Insurance Premium Rate Table, Effective June 2008<sup>10</sup>**

<b>Category and Coverage Type</b>	<b>PPO/HMO Standard, Total</b>	<b>PPO/HMO HIHP, Total</b>
Full Time		
Single	\$ 449.46	\$ 414.26
Family	\$ 1,015.98	\$ 900.28
Spouse	\$ 1,015.98	\$ 900.28
COBRA		
Single	\$ 458.25	\$ 380.05
Family	\$ 1,036.30	\$ 833.29
"Early" retirees		
Single	\$ 449.26	\$ 372.60
Family	\$ 1,015.98	\$ 816.95
Medicare		
One eligible	\$ 238.54	\$ 179.80
One over/under	\$ 687.80	\$ 594.06
Both eligible	\$ 477.08	\$ 359.60

**VI. Technical Deficiencies:**

“Special taxing districts” is a term used, but undefined, throughout Florida Statutes, and usually refers to dependent or independent special districts with ad valorem taxing power or the authority to impose special assessments.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill’s introducer or the Florida Senate.

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<sup>10</sup> Office of Economic and Demographic Research, The Florida Legislature, *Self-Insurance Estimating Conference*, February 28,2008, Exhibit XI, p. 13. Amounts are monthly premiums paid by employer and employee or retiree.